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Discount Store News®

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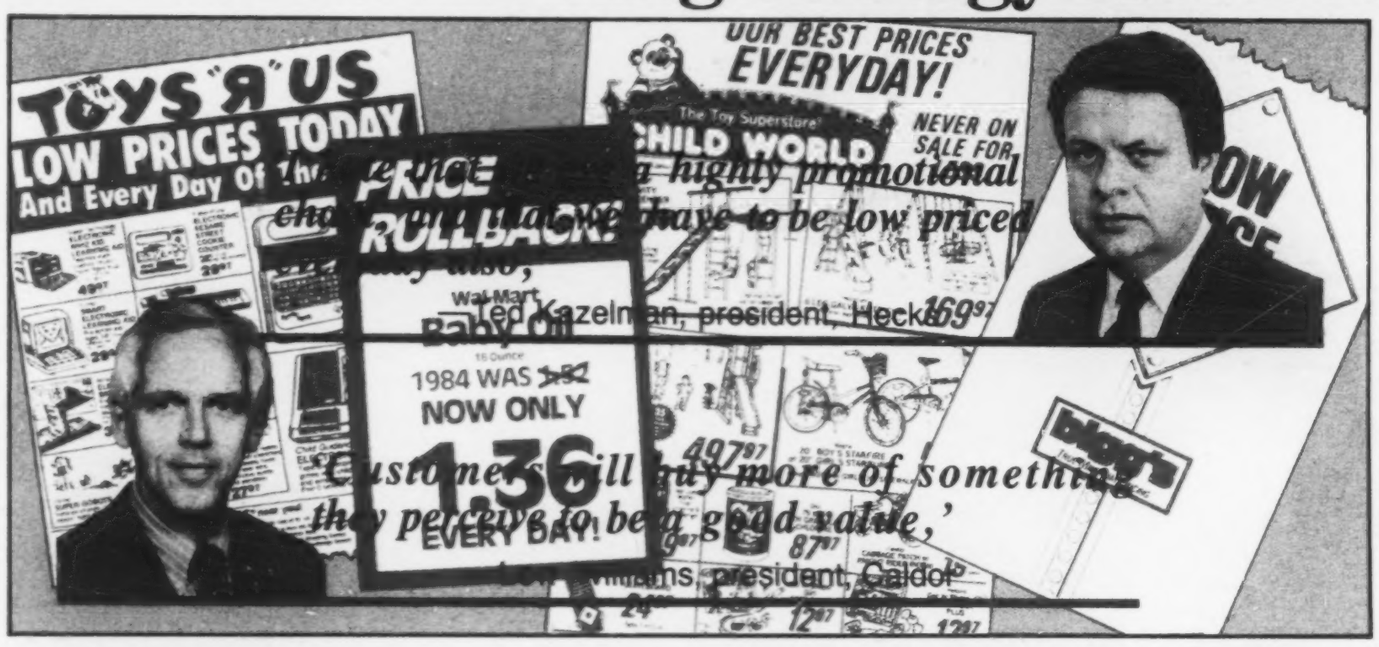
Everyday Low Prices: Winning Strategy or Net Profit Drain?

By KAREN PAXTON
Nationwide DSN Report

Everyday low pricing 1980's style may prove to be a suicidal strategy for discount chains who are vowing to routinely match their competitors' pricing on hundreds of branded commodity items—without slackening the flow of weekly promotional circulars their shoppers have come to expect.

Even discount chains who in the past said they were "too promotional" today are touting their new everyday low pricing (EDLP) programs as a winning defense in a dangerously overstored universe.

The less-discussed aspect is that these pervading strategies threaten to squeeze margins even further than before and push chains closer to the edge of unprofitability.



"I hate that we are a highly promotional chain and that we also have to be low priced everyday," said Ted Kazelman, president of Hecks.

"We've keyed in on the high profile items. If you're not low on these items, the consumer could walk away thinking the whole store is overpriced. For us it's a short list of [about 50] items. But if we had hundreds, we just couldn't afford it."

The long-term effect of such policies, Kazelman said, is "more pressure on profits." And ultimately could mean, "more consolidations of chains."

In the past, discounters viewed EDLP and weekly promotions as two mutually exclusive strategies. But since last year, chains, including Target, Gemco, Gold Circle, Caldor, Bradlees, Venture and Hecks have been combining the two to create a stronger "value image" which they say builds market share.

"What we're doing now is a combination of the two strategies," said Peter Hayes, chairman and chief executive officer of Gold Circle.

"We want to be sure the customers feel comfortable that they will always get the basics

(Continued on page 15)

Recent Acquisitions Hamper Dollar General Performance

SCOTTSVILLE, KY. — The task of assimilating several hundred recently acquired stores has produced a rare occurrence at Dollar General, a chain generally seen as one of the most productive and efficient in discounting.

For the first quarter of the current fiscal year Dollar General lost money—$1.7 million—after earning $1.3 million in the same quarter the previous year. The loss, moreover, comes after a decline in earnings in the fourth quarter and predictions that the chain's performance will suffer over the short term from what executives call two years of "acquisition management."

The temporary decline in Dollar General's fortunes has surprised some industry observers who noted that the chain seemed to assimilate the 280 P. N. Hirsch stores it acquired in 1983 without breaking stride.

Most analysts assumed that the chain would be equally adept at folding into its operations the 206 Eagle stores it acquired in Florida early last year. But those stores have proven very different from the type of store that Dollar

(Continued on page 242)

Metzenbaum: Discounters Need Bigger Impact on Hill

By KEN RANKIN

For the past five years Reagan Administration antitrust officials have been working to relax the legal restrictions against Fair Trade-style resale price maintenance activities and other anti-competitive activities aimed at the nation's discount retailers.

During that period a handful of Congressmen and Senators opposed to these pro-RPM policies have been maneuvering to block those FTC/Justice efforts in order to preserve price competition at the retail level.

Senator Metzenbaum

One of the most outspoken of these Capitol Hill critics of the Administration's antitrust policies is Senator Howard Metzenbaum (D-Ohio), a member of the Senate Judiciary Committee and the leading Congressional opponent of Justice Department-supported "antitrust reform" legislation which would shield resale price fixing manufacturers from treble damage court penalties.

Instead, Metzenbaum has introduced an antitrust counter-proposal of his own which would stiffen the penalties facing firms found guilty of RPM violations and other anticompetitive practices.

Discount Store News met with Metzenbaum recently in his Senate office for a free-wheeling interview on the Administration's controversial "treble damage" bill, his own legislative efforts to preserve competition at the retail level and his surprisingly candid perceptions of what he called the discount store industry's "embarrassing" lack of commitment.

DSN: You are perhaps the most outspoken opponent of the Reagan Administration's plan to reduce Federal antitrust penalties and re-

(Continued on page 241)

1986 Expansion: Target Will Add 2 Million Sq. Ft.

MINNEAPOLIS — Target will devote most of its 1986 store expansion to filling in existing markets, particularly in the Southwest and West Coast.

⊙ TARGET

The Dayton Hudson chain, which currently operates 226 stores, will open 21 Target's in fiscal 1986. That will represent more than two million sq. ft. of new retail space. Target already operates about 22.4 million sq. ft. of space.

The biggest concentration of new Target stores will come in Los Angeles, where Target already operates 25 stores. Target plans to open five more units this year in that market.

Although Zodys recently closed 29 stores in Los Angeles, none of Target's new locations are former Zodys stores. Instead, the chain is opening all new stores in Los Angeles.

Target also plans to open three new stores in Dallas/Fort Worth, where it current-

(Continued on page 15)

Service Merchandise Denies Mr. HOW Sale

NASHVILLE — Top management at Service Merchandise has denied published reports that the cataloger is planning to sell off the major portion of its troubled 27-unit Mr. HOW warehouse home center chain.

Raymond Zimmerman, chairman and president, termed false the reports which said he told shareholders at the firm's annual meeting that Service would sell all the Mr. HOW stores except for the seven units in Florida.

Responding to a source's contention that Service would issue a statement about Mr. HOW's future sometime in May, Zimmerman said: "When we have an announcement to make on Mr. HOW, we will make it."

Trade sources have long expected Service to sell its warehouse home centers to stem that division's losses which were partially responsible for the cataloger's net income plunging almost 76% last year, to $10,733,000, from $44,576,000 the year before.

Service's difficulties have continued unabated through the first quarter of this year, ended March 31. With that report, the bottom line showed a net loss of $29,246,000, compared to a net loss of $3,853,000 last year.

(Continued on page 242)

Largest NMRI Convention Issue Ever

Cable TV Discounter Adds Soft Goods, Goes Public

CLEARWATER, Fla. — The Home Shopping Network (HSN) will become a full-line discount electronic retailer next month when apparel and soft goods are added to the hard goods mix merchandised by the company.

The expanded merchandising move comes as HSN was set to become a public company, at presstime, through the offering of 1,740,000 shares at a projected price range of $16 to $18 a share. That would raise between $27.8 million and $31.3 million.

The company's founders and top executives, chairman Roy M. Speer and president Lowell W. Paxson, together are selling another 260,000 shares.

Demand for the stock, which one Wall Street source said was running at the rate of about 50 requests for each available share, resulted in the company increasing its preliminary offering. Originally the company offered just over 1 million shares from between $14 and $16 a share.

The company's success as the first national cable TV discount shopping service has already spawned a similar operation. Tele-Communications Inc. (TCI), the nation's largest multiple (cable TV) system operator (MSO), and closeout retailer C.O.M.B. launched a 50-50 joint venture.

(Continued on page 4)

Despite Steep First Quarter Loss, Hecks Anticipates Profit for Year

NITRO, W. Va. — Despite a loss of more than $4.3 million in the first quarter, Heck's executives are predicting that the chain will show a profit this year.

The chain, which recently announced it is closing 12 poorly performing stores, lost about $2.7 million more in the quarter than it did in the first quarter of last year. Sales for the quarter increased 26% to $120 million.

The 35 Maloney stores, acquired in August, represented more than $14 million of the chain's first quarter sales. Without those sales, Heck's revenues would have been up about 11.5% for the quarter.

According to Heck's treasurer, Robert A. Petryszak, pretax losses from continuing operations in the first quarter were actually about the same as pretax losses in the same period the year before.

The 1984 quarter, however, benefitted from a $2.5 million pretax gain, while the first quarter of this year included a $250,000 charge against earnings for the closing of one store. Heck's also took about a $1 million loss in the first quarter at the Maloney stores, which were not part of Heck's in the first quarter of 1984.

In the second quarter, Heck's expects to make money from continuing operations but to post a net loss because of charges against the closing of 12 stores. The company will take about a $3.8 million charge to shutter 12 stores which collectively lost about $2.5 million last year.

Heck's recently announced it was reducing quarterly dividend payouts from 7¢ a share to 1¢ a share in order to maintain a "liquid cash position."

Several financial analysts said that despite the high loss in the quarter, they believed Heck's could begin turning a profit again soon.

"They got the Maloney's stores at a very good price and those units should soon begin to bear fruit for them," said Edwin Underwood, analyst at Scott & Stringfellow in Richmond, Va.

Heck's itself is projecting that for the full-year it will be profitable, said Petryszak.

Targets New Orleans, Dallas

Wal-Mart Will Add Several dot Units

BENTONVILLE, Ark. — Wal-Mart continues to cautiously test the deep-discount drug waters.

A fourth dot drug store is scheduled to open this month in the Kansas City market, with another six to eight planned openings in New Orleans, Austin, Tex., Dallas, Des Moines and St. Louis, according to David Glass, president.

The trial positioning of a dot drug store beside a Sam's Wholesale Club in one of those markets, as reported earlier this year, is still planned.

Glass added that the greater Kansas City market could support up to 30 deep-discount drug stores, and that it is possible he will open another few dot stores in that area sometime in the future.

"We're still learning as much as we can," said Glass about the dot concept.

The learning process has resulted in two merchandising changes. First, dot stores will have more inventory per sq. ft. to accommodate the high store volume. Second, dot will case-cut some merchandise instead of shelving, said Glass, because it would give the merchandise "a more promotional look."

Glass said he continues to take a wait-and-see approach with dot.

"If we fell in love with it, we could accelerate the program," he said, "We're not at that point yet."

To fall in love, dot would have to prove it can offer a return on investment on par with Wal-Mart's other divisions, have strong sales and show that it can withstand competition, said Glass.

(Continued on page 242)

REPORTER'S NOTEBOOK

Giving More Credit to Retail Cards

By KAREN PAXTON

Makro wholesale warehouse club and Bradlees discount stores are two different kinds of retailers with one thing in common this year: new private label credit cards.

Both are rolling out their own credit cards for one big reason: The added volume they've found a card brings.

As a rule membership warehouse clubs don't accept any credit cards as part of their low-overhead cash and carry orientation.

Makro chairman Joe Nusim, however, explained that Makro, a division of a European operator of hypermarkets, is different from other warehouse clubs in several ways.

" We are not like the Price Club," Nusim said." I consider the others—BJ 's, Costco and PACE—copies of the Price Club which is the original warehouse club format in the United States."

He points to a larger selection of frozen foods, meats and cheeses as one difference between Makro and the others. The units also have carpeted fashion apparel sections and jewelry (including diamonds) assortments which differentiate them from American owned membership clubs.

"We have four to five times as much merchandise as the others," he said, adding that the normal requirement for the Price Club is 40,000 skus.

" Another thing we do differently is carry continuous programs so that a shopper can return and find the same item and lines in categories like men's hose, televisions, stereos and domestics," Nusim said.

Nusim seems to be leaning more heavily on his background in discounting than on the European roots of Makro in adding credit cards to the unique format of Makro.

Makro started experimenting with credit cards last October. The club in Atlanta accepts Visa and Master Card. Makro instituted its own credit card in Cincinnati.

The idea has increased sales already and "has more than paid for the program price, " Nusin said.

By the end of this year all four Makro warehouses in Philadelphia, Maryland, Cincinnati and Atlanta will be offering its members the private label credit card and also accepting Visa, MasterCard and perhaps another third-party card, Nusim said.

Bradlees got its first taste of the private label credit card when it took over 18 former Jefferson Ward stores in the Philadelphia market.

In May the chain instituted its own card in all 22 Bradlees stores in that market. In July customers in New Jersey will be offered the card and by year end customers in all five stores in the Richmond, Va., market will be offered the card.

A holder of a Bradlees card can use it in any Bradlees store in the country right now, according to C. Robert Peacock, senior vice president of finance management and administration at Bradlees.

The chain will offer the card in the rest of its stores next year if it provides the expected added volume, Peacock added.

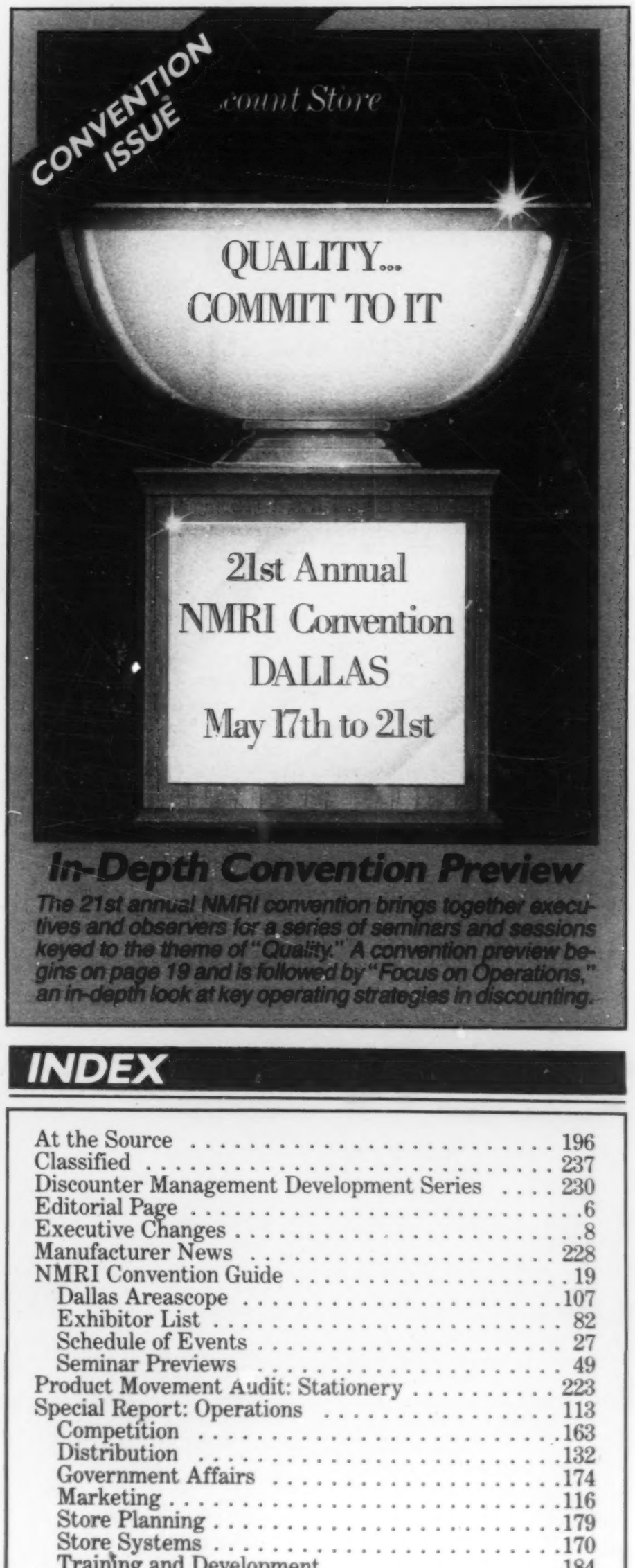
"We think we can do better than we were doing with the Jefferson Ward card," Peacock said, adding that the Jefferson Ward credit card business was not bad considering that the chain stopped issuing cards last July.

Going forward, Bradlees is also looking at adding the Discover card to the third-party cards it accepts.

While Makro can easily target its members for a store credit card, Bradlees is using lists of bank card holders as a base for mail and telephone solicitation, Peacock said.

The in-store kick-off will include special kiosks to showcase the credit card service.

By next year Bradlees will begin to promote specials directly to the customers who have the credit card, Peacock added.



In-Depth Convention Preview

The 21st annual NMRI convention brings together executives and observers for a series of seminars and sessions keyed to the theme of "Quality." A convention preview begins on page 19 and is followed by "Focus on Operations," an in-depth look at key operating strategies in discounting.

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Wal-Mart, Target Pace Discounters with Strong Same-Store Sales

Nationwide DSN Report

Without the benefit of an Easter selling season, discount store and catalog showroom sales in April were basically flat. But several chains, including Wal-Mart, were able to significantly expand their sales base in the month.

Bernard Fauber, K mart chairman, said the company's 2.8% sales increase to $1.8 billion for April is in line with eariler projections. April sales last year benefitted from the Easter selling season.

For the first quarter K mart sales were ahead 4.6%, which prompted Fauber to say that "customers continue to respond favorably to merchandising changes throughout the country."

Ames' sales, up 90.3% to $132.1 million for the month, and ahead 95.2% to $370.8 million for the quarter, benefitted from the inclusion of results from G. C. Murphy, acquired last year.

Romas Butrimas, vice president, finance, said that while G. C. Murphy sales results were on plan, same store sales were under expectation at 0.4% for the month of April and 0.2% for the first quarter.

Ames' earnings, although not released at presstime, reached company expectations, said Butrimas. As Ames reinventories G. C. Murphy's merchandise assortment, the sales and earnings figures should improve, said Butrimas, with these changes being realized during the latter half of the second quarter.

Although Zayre sales were up 31.0% to $369.5 million for the month and up 31.4% to $1.1 billion for the quarter, company president Maurice Segall said that earnings could be flat for the period.

Segall said he expects Zayre will compensate for weak first quarter net earnings during the year.

Wal-Mart's same store sales drove ahead 13% for April and 17% for the first quarter.

Target built a 9% April gain on top of a 23% boost in business during the same month last year.

First Quarter Sales Gains Modest

Chain	April Sales (in millions)	% Increase	1st Qtr. Sales (in millions)	% Increase
Ames[A]	$ 132.1	90.3%	$ 370.8	95.2%
Best Products	142.7	– 0.8	442.8	0.8
Gold Circle[B]	70.1	1.1	209.9	—
Heck's	45.4	24.0	N.A.	N.A.
Jamesway	43.4	13.0	118.5	15.0
K mart	1,779.3	2.8	5,211.6	4.6
Mars Stores	9.0	19.9	26.7	25.5
Pic 'N' Save	N.A.	N.A.	53.9	13.0
Roses Stores	89.3	13.9	255.3	18.8
Toys "R" Us	N.A.	N.A.	368.3	12.9
Venture	76.6	14.2	228.8	9.7
Wal-Mart	874.0	39.0	2,344.0	42.0
Zayre[C]	369.5	31.0	1,093.2	31.4

[A]Includes sales of G. C. Murphy, acquired last year: $56.3 million for April, $165.3 for the first quarter.
[B]Excludes sales of Pittsburgh stores closed Jan. 26, 1986.
[C]Home Club sales are included in 1986 and 1985; B J's Wholesale Club sales are included in 1986 only.
Source: *DSN* survey

TV Discounter Adds Soft Goods

(Continued from page 2)

Cable Value Network (CVN), earlier this month.

Steven Cunningham, director of CVN, said the service had $250,000 in sales in its first month of operation, drawing goods just from C.O.M.B.'s inventory. He said CVN , which is now in its "testing stage," is seen on the TCI network, which has about four million subscribers and by owners of a satellite dish.

HSN's launch of its national operation in July 1985 after almost three years as a cable TV program in the Tampa Bay, Fla., market was the key to the strong interest in its stock.

The preliminary prospectus reported that sales in the six months ended Feb. 28 were $63,861,838, compared to just $8,285,910 in the same period last year when HSN operated mostly on the Florida west coast. Net earnings for the half year were $6,838,750, or 10.7% of sales, compared to $125,004 or 1.5% of sales last year.

The company's gross margin was relatively stable during the two periods, going to 40.2% in the six months ended February, 1986. That compared to gross margin of 39.0% in the same period last year. But the markedly higher sales in the recent six months helped to sharply reduce selling, general and administrative expenses as a percentage of sales to 20.6% from 36.7%.

The company's growth increased inventories in the half year over 1,000% to $5,403,429 from $426,546.

HSN's national expansion has boosted reach of its original network, HSN 1, called 'America's Biggest Bargain,' to about six million cable TV households as of February, 1986. About another two million have been added since then through agreements with two major MSOs, Warner Amex and United Artists Cable, the sixth and twelfth largest. HSN has agreements with half of the top 30 MSOs.

Earlier this year, HSN launched HSN 2, 'Innovations in Living,' which reaches about two million cable TV households.

HSN 1 features mainly closeouts, overruns and liquidation merchandise which are purchased from such sources as manufacturers, retailers, importers, barter agents and finders.

HSN 2 featured new items, primarily high-tech and trend goods, which are bought from the current stock of name brand producers.

Merchandise on both networks is sold by on-the-air hosts, who describe the goods and talk to cable TV viewers who call in with questions and comments. The two networks broadcast 24 hours a day, although not every subscribing cable system airs them all of the time.

Merchandise is delivered via United Parcel Service.

Consumers with satellite dishes also receive the two networks.

The company has hired Barry Horowitz as director of merchandising for apparel and soft goods to head up the move into clothing and domestics. Horowitz, who has worked for a number of apparel retailers and manufacturers, will purchase overrun and closeout soft goods for HSN 1 and develop a private label fashion line for HSN 2.

Service Merchandise's award-winning advertising campaign stressed brand-name apparel. The above 30 second spot focused on women's brand-name sweaters.

Service TV Campaign Cited for Excellence

SAN DIEGO — A Service Merchandise advertising campaign for the company's newly acquired H. J. Wilson stores has been cited by the Television Advertising Bureau and the National Retail Merchants Association.

The campaign was one of 11 first place winners announced at the Annual Retail Television Awards Banquet held in conjunction with the NRMA's Sales Promotion/Marketing Conference.

The focus of the campaign was 14 stores with apparel departments that Service acquired in its purchase of the H. J. Wilson chain.

Primarily a hard goods merchandiser, Service developed a campaign for the apparel departments using both print and television media.

The campaign revolved around four-color newspaper inserts which ran four or five times a season in the 11 southeastern markets where the 14 stores with apparel department are located. Backing up those inserts were a series of eight institutional television ads which accounted for about one-third of the ad budget.

The eight commericals, developed by Service's in-house agency, Stanard Advertising, and produced by Thom II Productions in Nashville, cost only $75,000 to produce.

Described as slice-of-life spots, the commericals featured women's sweaters, men's furnishings and other classifications under the theme: Service Merchandise, Your Fashion Store.

In the commerical focusing on women's sweaters, for instance, two women are seen talking in a restaurant.

"So I guess you think I'm totally out of control, huh?" one woman asks. The second assumes she is talking about a budding romance, but in fact the woman is describing her compulsion to buy sweaters at Service Merchandise stores.

"First quality, brand-name fashion, at 20% to 50% savings. Today and everyday. Service Merchandise, your fashion store," a voice-over says as the two women continue their discussion.

Marshalls Throws Bash to Celebrate Anniversary

Marshalls celebrated its 30-year anniversary with over 1,500 guests at New York's new Marriot Marquis in Times Square. A fashion show put together for the event began with 1950's style poodle skirts and covered family apparel fashions from the '50's through the '80's.

AREASCOPE

Spot Television Advertising in Dallas

	1981		1983		1985	
	Dallas	All Markets	Dallas	All Markets	Dallas	All Markets
Discounters						
Wal-Mart	$1.3 million	$ 7.3 million	$1.5 million	$ 8.1 million	$1.7 million	$16.1 million
K mart	1.4 million	22.3 million	291,800	9.1 million	1.1 million	17.2 million
Target	542,500	6.3 million	1.3 million	10.7 million	312,900	11.8 million
General Merchandisers						
Sears	50,000	9.2 million	124,400	17.3 million	697,800	22.4 million
J. C. Penney	139,700	10.3 million	217,300	12.5 million	171,900	14.2 million
Department Stores						
Sanger Harris	1.1 million	1.1 million	1.3 million	1.5 million	799,900	912,900
Joske's	749,500	1.2 million	343,500	343,500	232,700	837,100

Source: Television Bureau of Advertising from Broadcast Advertisers Reports data.

K mart, Wal-Mart, Target

Chains Spend More On Dallas Television

DALLAS — Discounters like Wal-Mart, K mart, and Target spent substantially more on spot television advertising in the Dallas market last year than their general merchandise and department store competitors.

The three top chains have also adhered closely to their market-wide pattern in print promotion, with K mart and Target committed to preprints on hardware, lawn and garden, domestics, apparel and consumables, and Wal-Mart relying on ROP ads in small regional newspapers outside the core of the Dallas market.

According to the Television Bureau of Advertising, Wal-Mart increased its spot television advertising in Dallas by 31% between 1981 and last year. In the total market spot of television promotion, the increase was more marked, at 120%. K mart's spending for the same period in Dallas actually declined, while national spot television ad spending rose 22.8%.

Target spent 42% more for spot TV in its Dallas markets last year than it did in 1981, and the total increase in spending for all its markets was 87% for the same reporting period.

Sears had a massive increase in television promotion in Dallas, spending $50,000 in 1981 and $697,800 last year. Nationally, Sears increased spending for spot advertising 143% to $22.4 million.

By comparison Penney was relatively stable in its television advertising pattern, spending just $171,900, or 23% more in 1985 than it did in 1981. Nationally, Penney increased spot television advertising spending 38%.

The two department stores that were sampled, Sanger Harris and Joske's, actually spent less last year than in 1981.

Sampling of Circulars

A sampling of print circulars from the Dallas market for the last week in April shows that K mart emphasized "Hot Prices" on products that included Dutch Boy paint, $7.97 a gallon; Murray (Made in U. S. A.) 24-in. bicycles at $118, a 5½-in. Black and Decker circular saw for $19, and $13 Puma sneakers for women.

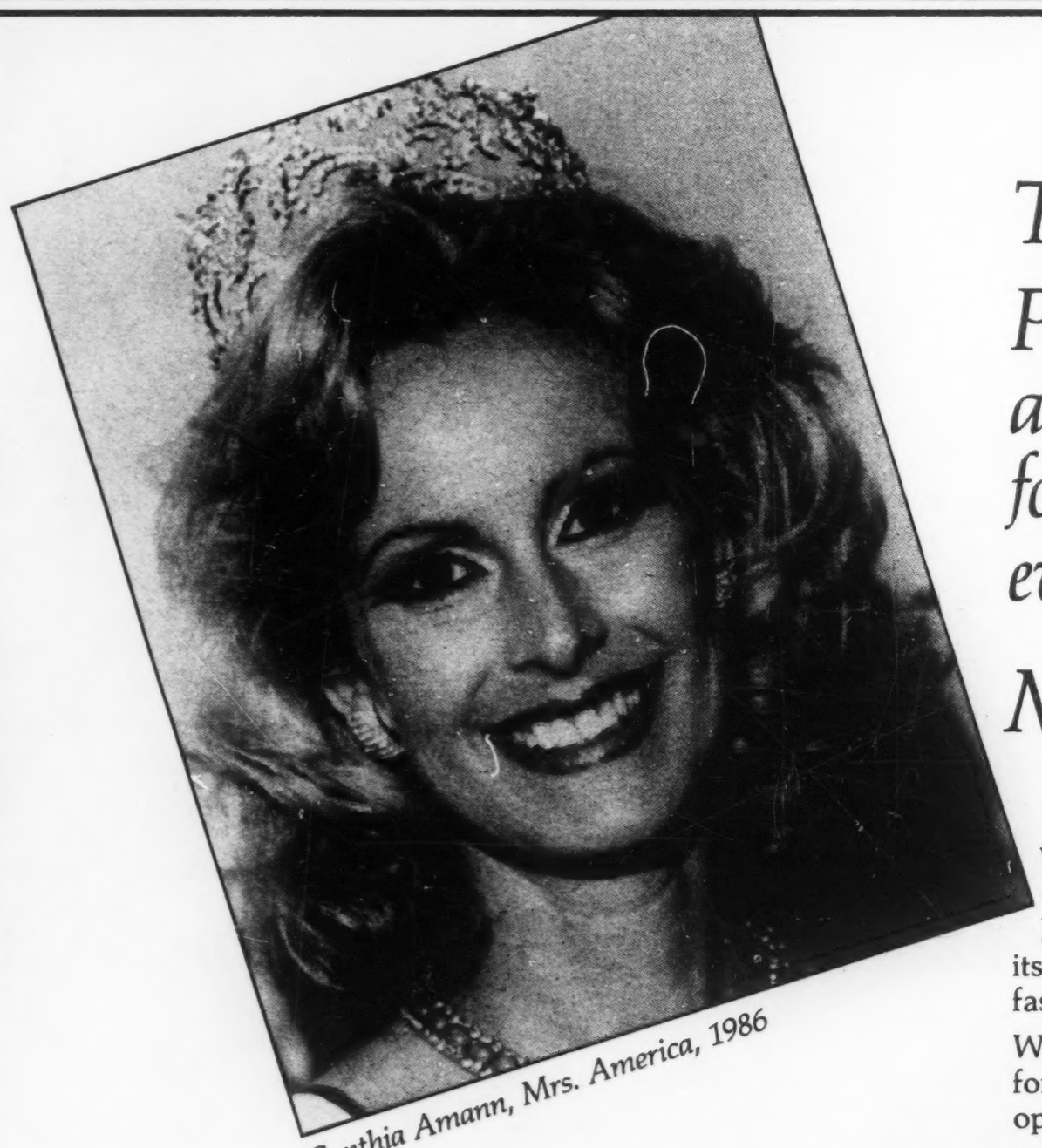
Target emphasized price and selection with a white sale offering $5.99 sheets, $4.49 bath towels by Lady Pepperell, a $99.99 Emerson 42-cu.-ft. microwave oven, as well as 30% off all "summer whites" for men, women, boys and girls.

Target is also promoting its Maganavox compact disk as well as offering a 50% price cut on wallpaper.

Sears, not surprisingly, emphasized its lawn and garden, tire and auto, consumer electronics and appliances, but almost half of a recent preprint was dedicated to apparel for the whole family.

Montgomery Ward focused on half price sleepers and La-Z-Boy recliners and then reverted to the same promotional merchandise mix as Sears and Penney. Ward's circulars reflected its move to a more specialty store orientation with better quality stock and more extensive use of color photography.

READ CLASSIFIED ADS



Cynthia Amann, Mrs. America, 1986

This month, Pakula offers you a surprise for your special events:

Mrs. America.

When Mrs. America was crowned last month, Pakula once again flashed its elegance as the official fashion jewelry of the pageant.

What has become a yearly honor for Pakula can become a year-long opportunity for you.

Beginning this month, Pakula can contract with Mrs. America for special appearances for you.* At store openings. During special events or sales. Whatever celebration you want to turn into a genuine traffic-builder.

Celebrity sales-stimulation. Another exclusive feature in a comprehensive marketing program created with your needs in mind.

Pakula & co.

166 The Apparel Center/Chicago, IL 60654/1-800-4 PAKULA

Every time you turn around, there's something new from Pakula.

*Depending on prior commitments and availability. For special fees, call Pakula at number listed.

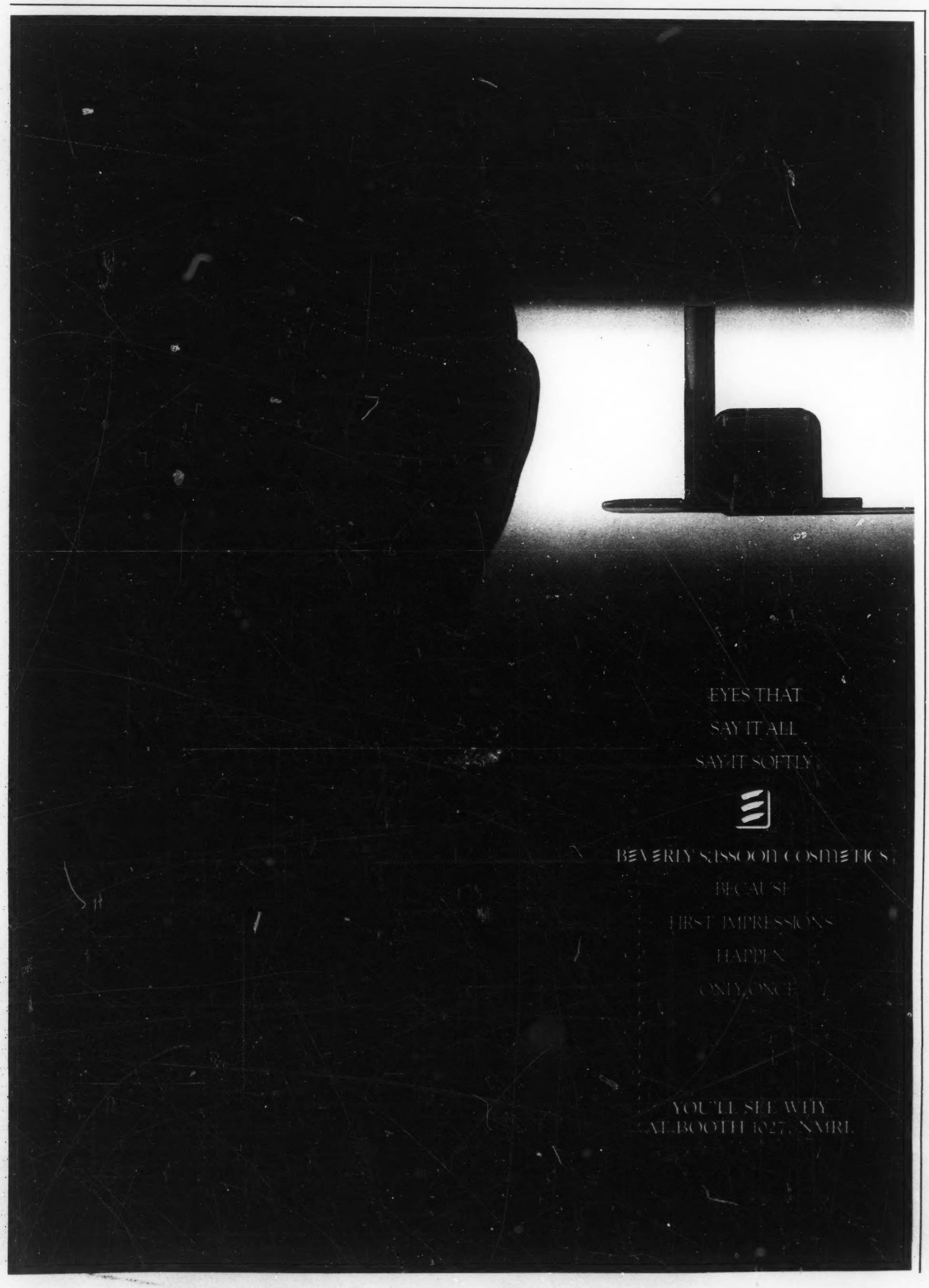
Leading Discounter and Cataloger Spot TV Advertisers

Company	1985	1984	% Change	Company	1985	1984	% Change
1. K mart*	$17,184,700	$12,906,200	33	9. Gemco	$4,036,900	$5,472,800	(26)
2. Wal-Mart	16,076,700	11,839,800	36	10. Venture	3,444,000	3,529,700	(2)
3. Target	11,843,000	12,731,600	(7)	11. Rose's	3,198,100	2,822,300	13
4. Hills	10,234,800	5,922,100	73	12. Bradlees	3,177,700	2,474,300	28
5. Service Merchandise	8,325,400	4,713,100	77	13. Meijer's	2,180,000	1,834,100	19
6. Zayre	8,234,100	7,429,200	11	14. Gordon Jewelers	2,151,900	1,359,200	58
7. Fred Meyer	4,529,000	3,361,800	35	15. Fortunoff	2,039,700	2,545,500	(20)
8. Caldor	4,266,600	52,500	8,100	16. Best Products	1,923,300	2,190,100	(12)

*Spot advertising only. K mart also spent $16.2 million in 1985 on national television. Co-op advertising not included in figures.

( ) Denotes decline

Source: Television Bureau of Advertising



K mart Tops Spot '85 TV Ad Spending

NEW YORK — New television advertising programs at Caldor and Service Merchandise boosted their positions to among the top discount store spot television advertisers.

K mart, Wal-Mart and Target remained the three biggest spenders on local spot television, according to figures from the Television Bureau of Advertising (TvB). Last year, however, Wal-Mart's local television spending surged ahead of Target's.

The Arkansas based Wal-Mart acheived the No. 2 slot by posting a 36% gain in monies spent on spot television ads. The figures also show that chainwide Target's spending on local spots dropped by 7% during 1985.

Caldor jumped into the top 15 spot advertisers chart via a northeastern ad blitz that took off in October with 30-second spots featuring the " Caldor couple."

The company had reported plans to spend $5 million to $6 million during 1985. According to TvB about $4.2 million actually went to pay for the air time at Caldor.

If the ad campaign is considered a success, the chain plans to spend between $12 million and $15 million on production and air time this year.

Service Now No. 6

Service Merchandise had the second largest increase in spot television outlays during 1985, according to TvB. A 77% increase to an estimated $8.2 million for local ads placed the cataloger as No. 6 in terms of spot television spending.

Like Caldor, Service Merchandise launched a new television campaign last fall. The cataloger's program, however, was a test program of institutional ads in three markets: Miami, Atlanta and Chicago.

That test accounted for only part of the chain's increase in spending. The cost of the test of institutional ads was said to be about $1.5 million, which included the creative.

A second reason for the increase at Service was the company's growth—through acquisition and openings—from 183 stores to 295 stores, including entries into six new markets last year.

Hills, known for its institutional advertising on television, boosted its spending on spot ads by 77% in 1985. Thus, the chain held its spot as the fifth biggest spot television advertiser among discount and catalog chains.

Chains who posted a decrease in ad spending for 1985 included Gemco, Venture (only by 2%), Fortunoff, Best Products and Target, according to the TvB figures.

The largest drop tracked by TvB was at the California-based Gemco operation. Expenditures of about $4 million represented a 26% decline in spot advertising from TvB's 1984 figures.